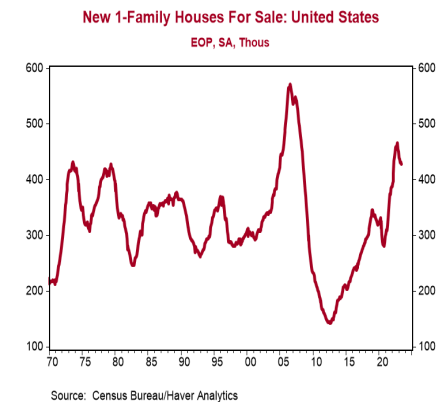
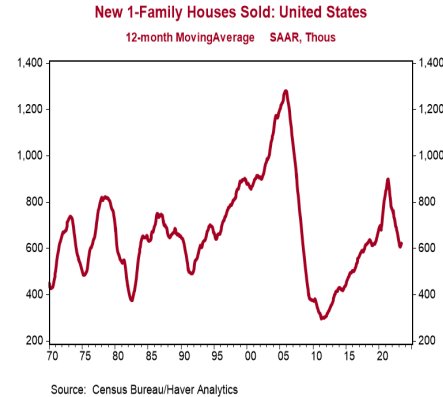


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May New Home Sales

- New single-family home sales increased 12.2% in May to a 0.763 million annual rate, beating the consensus expected 0.675 million. Sales are up 20.0% from a year ago.
- Sales in May rose in all major regions.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 6.7 in May from 7.6 in April. The decline was due to both a faster pace of sales and a 4,000 unit decline in inventories.
- The median price of new homes sold was \$416,300 in May, down 7.6% from a year ago. The average price of new homes sold was \$487,300, down 6.6% versus last year.

Implications: New home sales continued to recover in May, rising for a third consecutive month to hit the fastest pace in more than a year. While sales are on an upward trend recently and are now up 40.5% from the low in July of last year, they still remain well below the pandemic highs of 2020. The main issue with the US housing market has been declining affordability. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle in March 2022 amounts to a 21% increase in monthly payments on a new 30-year mortgage for the median new home. With 30-year mortgage rates currently sitting near 7.0%, financing costs remain a headwind. However, the median sales price of new homes has fallen by 16.2% from the peak late last year, which has helped sales activity begin to recover. Notably, while a lack of inventory had contributed to price gains in the past couple of years, in general, inventories have made substantial gains recently. The months' supply of new homes (how long it would take to sell the current inventory at today's sales pace) is now 6.7, up significantly from 3.3 early in the pandemic. Most importantly, the supply of completed single-family homes has more than doubled versus the bottom in 2022. This is in contrast to the market for existing homes which continues to struggle with an inventory problem often due to the difficulty of convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic. Though not a recipe for a significant rebound, more inventories should continue to help moderate new home prices and put a floor under sales activity. One problem with assessing housing activity is that the Federal Reserve held interest rates artificially low for more than a decade. With rates now in a more normal range, the sticker shock on mortgage rates for potential buyers is very real. However, we have had strong housing markets with rates at current levels in the past, and homebuyers will eventually adjust, possibly by looking at lower priced homes. Speaking of home prices, the national Case-Shiller index rose 0.5% in April while the FHFA index increased 0.7%. Notably, while the Case-Shiller index is still down from its peak in June by 1.8%, the FHFA index is now at a new all-time high and up 1.6% from the previous peak in June 2022. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, rose to a still weak reading of -7.0 in June from -15.0 in May, continuing to signal contraction.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	May-23		Apr-23	Mar-23	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	12.2%	763	680	657	700	668	20.0
Northeast	17.6%	40	34	60	45	39	110.5
Midwest	4.1%	77	74	68	73	72	40.0
South	11.3%	471	423	376	423	416	22.0
West	17.4%	175	149	153	159	142	-0.6
Median Sales Price (\$, NSA)	3.5%	416,300	402,400	441,900	420,200	434,250	-7.6
		May-23	Apr-23	Mar-23	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.7	7.6	7.9	7.4	7.9	8.7

Source: Bureau of the Census